

Message Text

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14

ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-01 PRS-01 IO-10 H-02 L-03 /102 W

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R 070950Z JAN 76

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9318

INFO AMEMBASSY ISLAMABAD

AMEMBASSY MANILA

AMEMBASSY NEW DELHI

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MANILA FOR USADB

EO 11652: N/A

TAGS: ETRD, EFIN, EAID, EAGR, BG

SUBJ: BANGLADESH IMPORT POLICY FOR JANUARY-JUNE 1976 SHIPPING PERIOD

REF: DACCA 3347, JULY 8, 1975

1. BDG CHIEF CONTROLLER OF IMPORTS AND EXPORTS ANNOUNCED SUBJECT POLICY DECEMBER 31, AND FOREIGN TRADE SECRETARY SUPPLIED ADDITIONAL DETAILS TO ECON COUNSELOR JANUARY 3.

2. JULY-DECEMBER PERIOD OUTCOME. AUGUST \$379 MILLION (AT TAKA 14.5 EQUAL ONE DOLLAR) PROGRAMMED FOR JULY-DECEMBER 1975 PERIOD, ONLY \$283 MILLION WORTH OF LICENSES ACTUALLY ISSUED. SHORTFALL CAME ON AID SIDE, WITH ONLY \$114.5 MILLION WORTH OF LICENSES ISSUED AGAINST TARGET OF \$200.7 MILLION TO BE FINANCED BY FOREIGN ASSISTANCE LOANS. EXPLANATION OFFERED BY FOREIGN TRADE SECRETARY INCLUDES LATE SIGNING OF LOANS CONCERNED AND GENERALLY LOWLEVEL OF AGGREGATE DEMAND

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PRIMARILY CAUSED BY YEAR-LONG RESTRICTIVE CREDIT POLICIES.

SECRETARY ARGUED IN EFFECT THAT DEMAND FOR LICENSES WAS IN FACT MET DURING THIS PERIOD.

3. JANUARY-JUNE PERIOD. BASIC PRINCIPLES OF IMPORT POLICY FOR JANUARY-JUNE PERIOD ARE QTE TO HELP BOOST PRODUCTION IN LOCAL INDUSTRIES UNQTE AND TO LIBERALIZE INFLOW OF CONSUMER GOODS. TOTAL PROGRAM OF \$320 MILLION INCLUDES \$146.2 MILLION AGAINST BDG CASH RESOURCES AND \$141.4 MILLION AGAINST AID, WITH BARTER (\$15.2 MILLION) AND WAGE EARNERS' SCHEME (\$17.2) MAKING Q BALANCE. PROGRAM CONTINUES PROGRESSIVE LIBERATION OF LICENSING PROCEDURES ALONG LINES IN BDG LETTER OF COMMITMENT TO IMF, ENHANCES ROLE OF PRIVATE SECTOR, AND REDUCES SCOPE FOR FAVORITISM IN REGISTERING IMPORTERS. WITH THE ADDITION OF SUCH HITHERTO BANNZ ITEMS AS SMALL AUTOMOBILES AS WELL AS AIR CONDITIONERS TO LIST OF ELIGIBLE COMMODITIES INDER WAGE EARNERS'SCHEME, THE NEW POLICY WILL MODESTLY BENEFIT THANSTINY FRACTION OF BANGALEES WHO GOVERN, ADMINISTER, AND MANAGE THE PEOPLE, PROGRAMS AND PRODUCTIVE ENTERPRISES OF BANGLADESH. IN ADDITION, CONTINUED FERTILIZER AND RAW COTTON IMPORTS WILL BENEFIT SOME OF THE RURAL MILLIONS.

4. COMMENT. TOTAL SUCH IMPORTS (WHICH EXCLUDE FOODGRAIN, PROJECT AID IMPORTS AND NON-DEVELOPMENT IMPORTS ON GOVERNMENT ACCOUNT, E.G., MILITARY) LICENSED IN FY'76 WILL THUS AMOUNT TO ABOUT \$600 MILLION, THE SUM OF \$320 MILLION PROGRAMMED FOR SECOND-HALF OF YEAR PLUS \$283 MILLION ACTUAL FOR FIRST-HALF. FOLLOWING AGREEMENT WITH THE IMF ON A STABILIZATION PROGRAM, AND GENEROUS AID PLEDGES LATE LAST SPRING, DONORS HAD HOPED FOR MORE. (THE IMF IN JULY PREDICTED AN INCREASE IN NON-FOOD INPPORTS FROM \$650 MILLION IN FY '75 TO ABOUT \$1,050 MILLION IN FY '76.) WE ARE NOT MET SURE HOW TO PARCEL OUT RESPONSIBILITY FOR THIS LESS THAN EXPECTED LOW OF IMPORTS. THE THREE COUPS D'ETAT SO FAR THIS FISCAL YEAR DISRUPTED BUSINESS ARRANGEMENTS, CERTAIN AID LOANS (FRG, JAPAN, UK) WERE DELAYED, AND 50 PERCENT OF THE \$100 MILLION IDA CREDIT WAS EARMARKED FOR THE JUTE AND TEXTILE INDUSTRIES, WHICH LIMITED FLEXIBILITY. AS NOTED ABOVE, AGGREGATE DEMAND IS DOWN, LIMITED BY THE HALT TO INFLATION AND THE YEAR-LONG CREDIT SQUEEZE. OVERHANGING THESE IS THAT INTRACTABLE GROUP OF MANAGEMENT PROBLEMS AFFECTING ALL OPERATIONS HERE, SUCH AS FAULTY PLANNING IN PROGRAMMING IMPORTS FOR PUBLIC SECTOR CORPORATIONS. (SEE ALSO DACCA 008).

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5. THIS TELEGRAM SUMMARIZES A DETAILED AIRGRAM TO BE POUCHED JANUARY 17.
CHESLAW

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Message Attributes

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Draft Date: 07 JAN 1976
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Disposition Action: RELEASED
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Disposition Authority: morefirh
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Margaret P. Grafeld
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